

Jennifer: 'Larry was right, this whole idea sucks!'

Daisy: 'The board will never agree...'

Beth: 'Why do you think you are here?'

If you vote with us on Wednesday we will have the majority we need for the proposal to be accepted.'

Daisy: 'And if we don't?'

Beth: 'It is bye-bye Mic and bye-bye job, dear. All those great Mic initiatives would end very abruptly, darling, because of your petty actions.'

Joan: 'Do we have your vote?'

Daisy: 'Yes.'

Jennifer: 'Yes, but I am not happy.'

### Case study questions

1. Explain what appears to be happening in terms of the exercise of manifest-personal power and manifest-structural power (Bradshaw and Boonstra 2004).
2. Explain what Beth Sadler is doing in terms of Hardy's (1996) four dimensions of power in strategic change.

## UNIT IV

### HR and Managing Change: Recruitment & Selection & The Management of Change, Performance Management & Management of Change, Reward Managements & The Management of Change, Technological Change

#### 4.1 HR AND MANAGING CHANGE

##### 4.1.1 HR Involvement in Managing Change

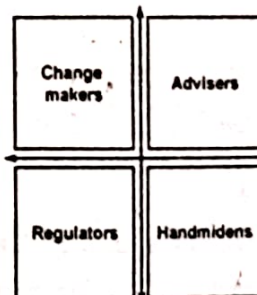
HR practitioners yearned for years for evidence demonstrating people were an organisation's most important asset and that good HR practice delivered organisational performance. In the mid-1990s, a body of research appeared to support such a view, although '... there is a large gap between what HR professionals see as their role and how other managers in the organisation see it'. In beginning to clarify HR involvement in managing change, broader HR debates are informative.

HR involvement in managing change must be understood as part of a bigger challenge that seeks to advance the concept of strategic HRM: 'effective delivery of organisational change requires an alignment between the organisation's corporate and business strategies, its change strategies and its HRM strategy'.

In a similar manner, Armstrong argued that 'if HR is concerned - as it should be - in playing a major role in the achievement of continuous improvement in organizational capability and individual performance, and in the HR processes that support that improvement, then it will need to be involved in facilitating change'. While these are honourable aspirations, the concern is that HR's involvement in managing change remains at the level of an abstract aspiration.

##### Types of Personnel Practitioner

The four types of personnel practitioner are depicted in Figure.





The four types of personnel practitioner identified in Figure highlighted developments in people management emerging from the case study analysis. The 'advisers' acted as internal consultants. The 'handmaidens' adopted client/ contractor relationships with line managers and the 'regulators'... formulated, promulgated and monitored observance of employment rules'. The fourth type of personnel management, 'the change maker', is particularly pertinent to debates and the closest at that time to the espoused goals of HRM.

The change makers' were personnel specialists who made "... a highly proactive, interventionary and strategic contribution. In drawing upon his case study analysis, Storey identified two variants of change makers in terms of hard and soft versions of HRM. The hard version identified fully with the business needs of senior management and minimised their personnel persona. The soft version emphasised their role in tapping the creativity and commitment of resourceful humans.

The strategic HR role aligned HR strategies and practices with business strategies. HR professionals through constantly examining and improving HR processes created the infrastructure. HR professionals' involvement in day-to-day problems, concerns and needs of employees enabled the management of employee contributions.

### **Role of HR Professionals in Organisational Change**

Management is the process of managing the organizational resources: financial resources, information resources, physical resources, and human resources. It is important to mention that the proper utilization of other resources depends on the human resources. The success or failure of an organization depends largely on the competence of its people. The main responsibility of the HR Professionals is to manage the human resources in an effective way.

But managing the human resources during organizational change is extremely complex and difficult. HR Professionals are supposed to play an active role in managing change in an organization. Their roles must match the organizational needs. With the increase in competition, locally or globally, organizations must become more adaptable, resilient, agile, and customer focused to succeed. Change is inevitable in today's organization.

The processes of changes are also becoming complex that, in turn, calls for new roles of HR Professionals. Any kind of organizational change has an impact on employees. Employees have the tendency to resist the change. Resistance to change



has long been recognized as a barrier to organizational change attempts. It encompasses a range of behaviors from passive resistance to active resistance or even aggressive resistance.

The changing situations also call for new roles of the employees. At the same time the expectations of the employees from the management are also changing. The changing expectations of both management and employees require new roles to be played by HR Professionals. Their roles are not confined to traditional framework now. HR Professionals should play the required roles to make the change effective.

They must keep the employees of the organization on the right track during organizational change irrespective of the degree of change. Only the high-spirited employees would be able to establish and maintain harmonious working relationship with workmates and contribute to keeping high morale. The roles of HR Professionals are not only important to manage the organizational change but also to create a culture of change in an organization.

### 4.1.2 Managing Diversity Changes

There has been an increased interest in managing diversity within the management and organisation literature:... linking equal opportunities initiatives directly with business strategy, the concept of managing diversity is inextricably linked with strategic HRM'. Kossek et al explain how such a strategy may be achieved: 'in order to manage demographic change in economic and labor markets, a common HR change strategy is to increase the diversity of the work force through hiring over time'. These developments potentially offer an applied example of HR's involvement in managing change. The relationship that HR has with senior management is likely to be informed by many factors such as history, culture and organisational politics.

However, HR will have autonomy to initiate and manage all the changes it favours: 'whatever change HR advocates and implements, it must either represent the interests of senior management, or "sell" the change by convincing senior managers that change reflects their interests'. This is a recurrent theme in this chapter in that while HR may recognise the merits of managing diversity, integrating diversity into business strategies is a separate challenge.

Cassell (2009) identified two triggers encouraging managers to focus more upon diversity: changes in demographic trends and the existence of a business case for progressing equal opportunities. Diversity policies are likely to vary considerably.



Armstrong (2009) highlighted what could potentially be included in a management of diversity policy: acknowledging difference in workplace cultures and individuals, valuing different qualities that people bring to their jobs, emphasising the elimination of bias in areas such as selection, promotion, performance assessment, pay and learning opportunities, and focusing attention upon individual differences, rather than group differences.

#### **4.1.3 Critically Questioning HR Involvement in Managing Change**

The theory and practice of HRM may be regarded as an ongoing conundrum, with the multiple historical roots of HR practice leading to contemporary tensions in HR values, expectations and allegiances. HRM has relevance to many different stakeholders and any critical inquiry needs to represent differing perspectives on changing. However, there is a tendency for HRM research to be managerialist and ideologically driven. If HRM is to have academic credibility, all participating actors must be incorporated.

Caldwell acknowledged that one of the central problems in analysing HR change agent roles is that they are inseparable from the progressive and proactive agenda of HRM'. The implication is that criticisms of HRM are equally applicable to HR change agent roles. Ogilvie and Stork acknowledged that HR today is still in a strategic positioning era, which may constrain its involvement in managing change. The dilemma is that HR's involvement in change is closely linked to the strategic positioning of HR; if HR is not meaningfully involved in strategic planning, its involvement in managing change is likely to be operational rather than strategic. As well as this contested theoretical and practical terrain of HRM, exploring connections between HR and organisational change is impeded by the highly ambiguous multiple meanings and definitions that exist for both concepts.

#### **4.1.4 The Rhetoric of Managing Diversity**

It can be frustrating attempting to find empirical evidence of successfully managed diversity programmes; case studies often do not contain an evaluative element, and '... sometimes these case study reports focus more on promoting a particular company approach with evangelical zeal, rather than assessing and evaluating the success of a given programme'. While there may be talk of managing diversity, it can remain potentially at the level of empty rhetoric rather than real organisational change.



## 4.2 RECRUITMENT AND SELECTION AND THE MANAGEMENT OF CHANGE

### Introduction

Recruitment and selection has recently been held largely responsible for spicing up the life of youngsters across the world, causing abject misery to children in Wales and beyond, and scuppering the world's biggest merger plans. You have probably participated directly in the recruitment and selection process, not least because of your experiences as applicants and interviewees for job vacancies, yet despite this familiarity the linkages claimed in this opening paragraph may not be readily apparent.

### 4.2.1 Recruitment and Selection - Definitions and Models

#### A) What do we mean by recruitment and selection?

This simply views recruitment and selection as a systematic process applied to meeting an organisation's staffing requirements through filling identified vacancies. This process can be broken down into a series of stages which Wright and Storey summarise as 'defining the vacancy, attracting applicants, assessing candidates and making the final decision'.

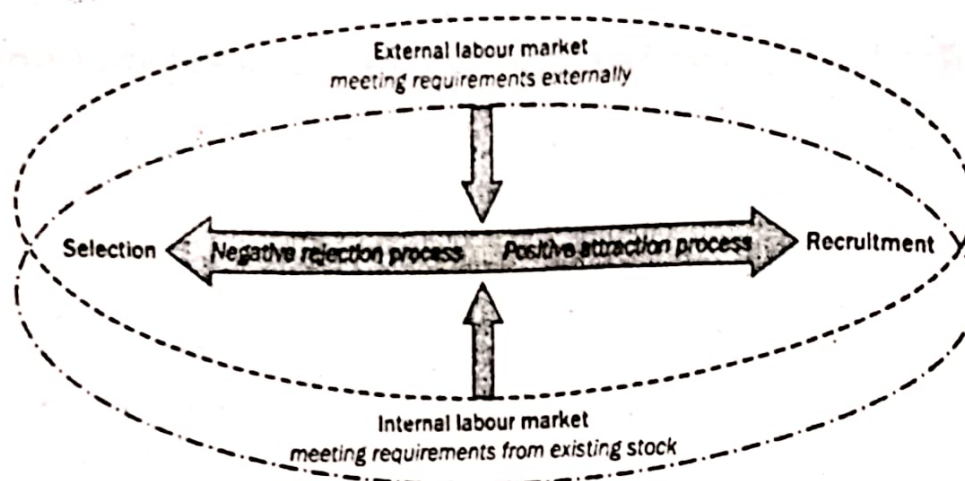
This perspective of recruitment and selection, which we interpret here as including internal promotions, concerns a process that is meant to be reciprocal. This acknowledges that candidates as well as employers are involved in a decision-making process and that the way the process is conducted may have a significant impact on employer attractiveness and employee retention.

#### B) Models of Recruitment and Selection

It is possible to disaggregate this perspective into its two distinct but integrated and overlapping components.

Recruitment is described as a positive attraction process designed to assemble a suitable pool of applicants against a given job vacancy. It commonly involves defining the job or role to be filled (job description), identifying personal attributes that are positively correlated with effective job performance (person specification), searching for people with those attributes, and persuading such people to apply for the vacancy. In contrast selection can be seen as a negative process of rejection that involves narrowing down the field of candidates until a suitable match against a given vacancy is found.





**Fig.: Internal and external models of recruitment and selection**

### **1. Internal versus external models of recruitment and selection**

A commonly adopted framework of recruitment and selection sees the process as being essentially geared to either the internal or the external labour market. The internal model places emphasis on meeting the organisation's manpower requirements from its existing stock of employees. Here the use of the external labour market will be restricted mainly to low-level positions with the expectation that once recruited, investment in career development will promote upward mobility. In contrast the external model aims to meet its manpower requirements from outside the organisation. Both models are likely to be evident in any organisation at the same time but within an overall resourcing strategy where either the internal or the external model is likely to predominate.

### **2. The 'traditional' model of recruitment and selection**

To make real the rhetoric 'people are our most important asset' it might be expected that organisations would develop carefully considered recruitment and selection processes designed to meet their strategic imperatives and changing organisational circumstances. However, evidence suggests that recruitment and selection practice is conducted either in an ad hoc, haphazard fashion or reflects the 'traditional model'.

Mike's research not only clarifies what we mean by the 'traditional model' but also provides evidence of its pervasiveness in companies operating in the West Midlands. Over the three years to May 1998 students studying for postgraduate management and professional personnel management awards have been asked to provide a flow chart depicting the totality of their organisation's recruitment and selection practice. The essence of approaching 250 responses has been distilled into one chart.

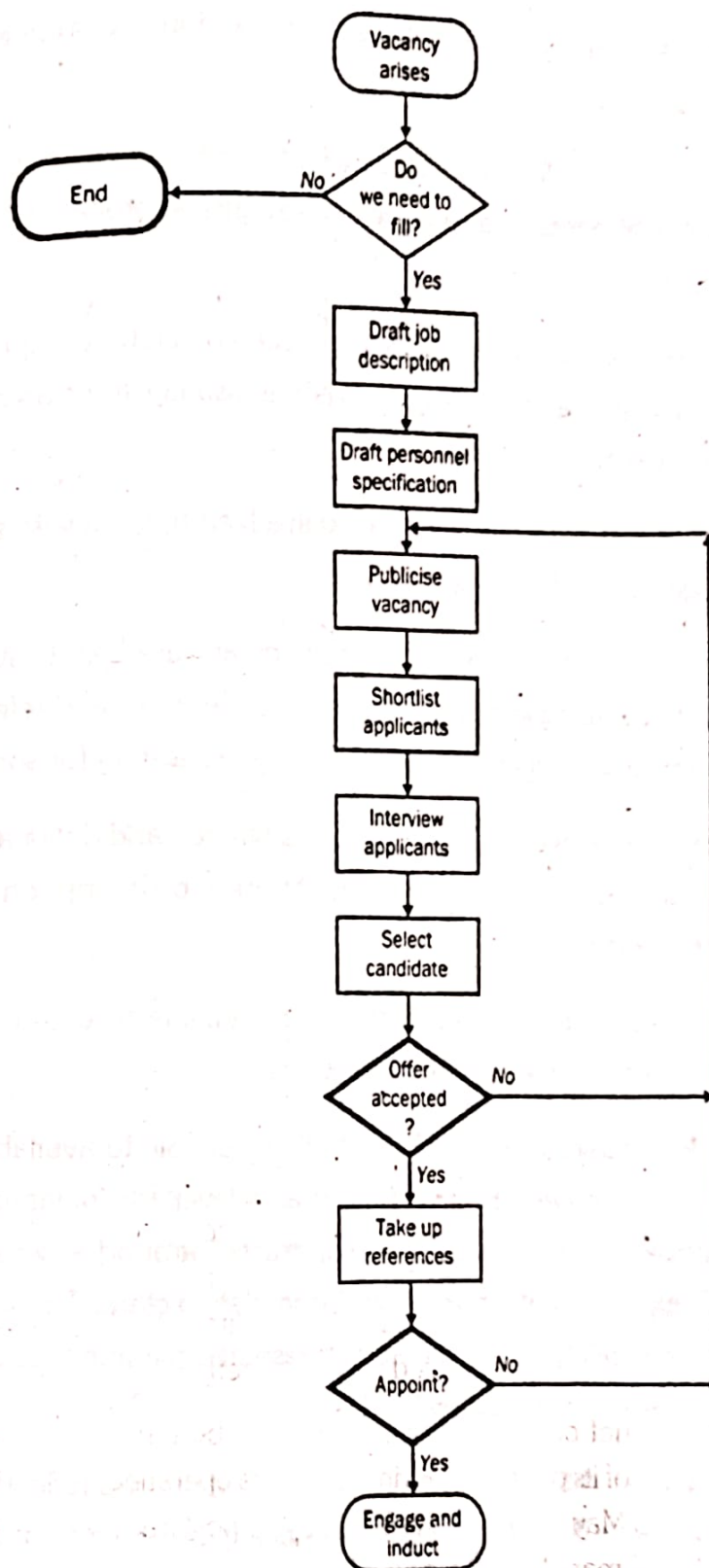


Fig.: The traditional approach to recruitment and selection



From this a number of central features of the traditional recruitment and selection model can be discerned:

- It is geared to filling specific job vacancies. Invariably this was the starting point; it also frequently involved an exhaustive process for authorising the vacancy.
- The process continues with the production of a job description, either using or up-dating a previous one, which is usually translated into a person specification.
- Recruitment is predominantly through advertising but with significant usage of agencies and word of mouth.
- A limited number of selection methods are used and invariably include shortlisting using application forms/CVs, interviews and references. Around 50 per cent of organisations additionally use testing for some vacancies.
- It involves a decision-making process where candidates are meant to be assessed against the requirements of the job description and personnel specification.
- It concludes with offer/reject letters and candidate acceptance/rejection with, increasingly, some negotiation of terms.

This model is basically directed towards fitting people to available jobs (Lawler, 1994) but for our purposes has limited utility as a lever for initiating, facilitating or sustaining organisation change. Although constructed around a series of systematic steps it may be apparent that it presents an incomplete picture. The flow chart makes no reference to any relationship with human resource planning let alone corporate strategy or any post-event evaluation.

It could be argued that the model is essentially static and reflects the status quo. Mike found little evidence that job analysis was being used to inform recruitment and selection processes. Where it was it was limited by a preoccupation with current (and in some cases previous) job requirements therefore doing little to anticipate and account for future change scenarios or broader organisational needs.



The traditional approach itself may be undermined by reducing a job-focused system to little more than a people-matching process. Here an emphasis on the interview as the key selection method provides ample opportunity for line managers to manipulate the process in order to select in their own image. This arguably reduces the process to little more than matching candidates to selectors.

The apparent over-reliance on interviews and references may also impact adversely on the reliability and validity of selection decisions as these methods are widely acknowledged to be relatively poor predictors of job performance.

Lastly we argue that the traditional model has a narrow focus in terms of stakeholder involvement. At best it can be described as a two-way process conducted between candidates and management representatives. At worst the overriding concern for fitting the person to the job subordinates candidates' needs to those of the institution, making the process ostensibly one-way. However, in both these scenarios the interests of internal and external customers, peers and service providers do not appear to be accommodated.

### **4.2.2 How recruitment and selection may contribute to organisational change**

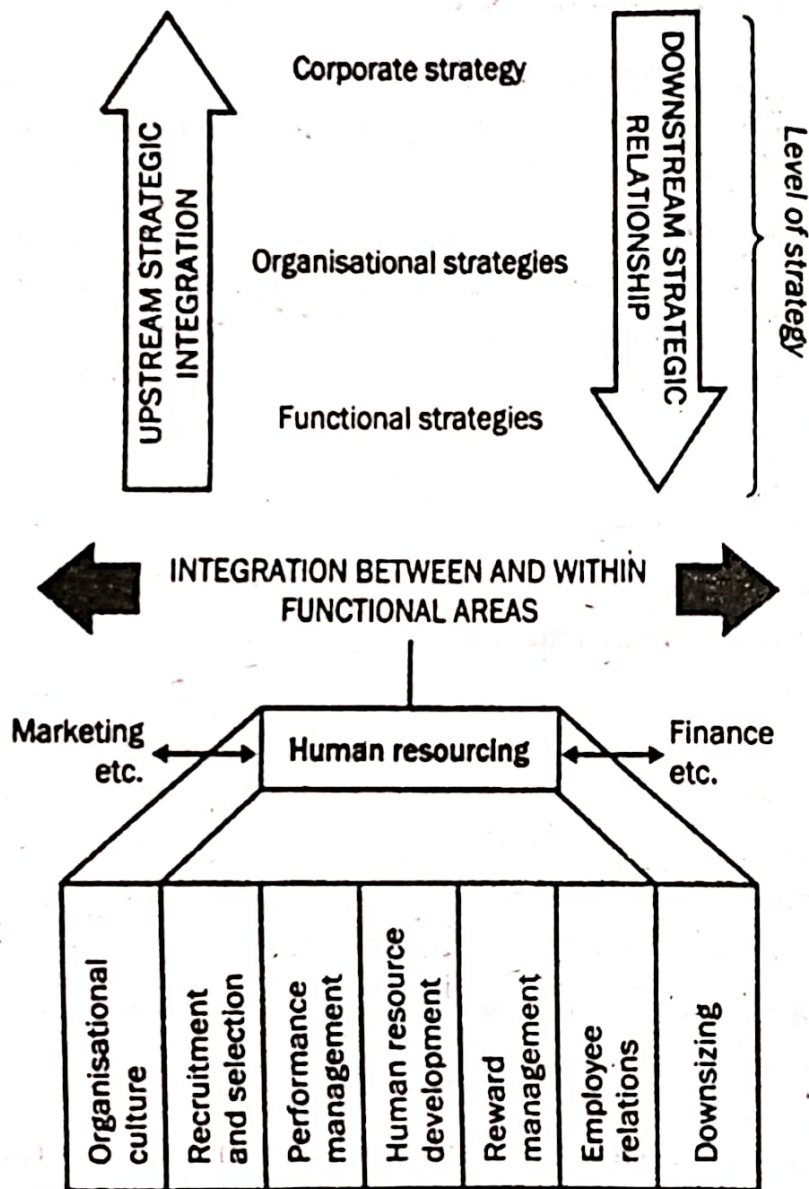
In response to change of almost endemic proportions a number of organisations have made significant shifts in the way that they manage their employees. Human resource management, the development of a flexible workforce and attempts to change organisational culture may be identified as just three examples of such shifts. Here we argue that organisational responses to change and specific human resource interventions place new demands on recruitment and selection.

The reactive nature of the 'traditional' model of recruitment and selection, which concentrates on matching individuals to well defined jobs, makes it an inappropriate vehicle for facilitating change management. This suggests the need to re-conceptualise recruitment and selection as a proactive, more broadly-based activity capable of supporting and, at times, driving organisation strategy.

This conceptual shift can be identified in approaches to recruitment and selection that focus variously on fitting the job to the person rather than the person to the job, fitting the person to the organisation rather than the job, and selecting against core competencies or skills rather than the broad demands of a specific job. These perspectives are in no way mutually exclusive and are likely to share the common denominator that they are strategically driven.



In this section we particularly draw on strategically driven change which was identified as an important aspect of change management. Our approach to discussing the relevance of recruitment and selection to strategically driven change revolves around three concepts which are introduced briefly here and developed further immediately below.



**Fig.: The strategic context of recruitment and selection**

First, we have adopted Purcell's (1989) construction that strategy can be viewed as operating at three different levels starting with corporate strategy and moving through the strategic issues relating to organisation structures to end with functional strategies (in this case human resourcing).

Second, the essential relationship between functional and corporate strategy, referred to by Mabey and lies (1993: 16) as 'external integration', can be regarded as two-way. This acknowledges that much of what happens at the functional level flows directly from the demands of corporate strategy (i.e. functional strategy lies 'downstream' from corporate strategy). At the same time it is also recognised that the functional level can operate to influence the shape of corporate strategy (i.e. the functional level has an 'upstream' relationship with corporate strategy).

Third, the various dimensions (or levers) of human resourcing should not only be integrated with corporate strategy but should also be 'internally integrated' with each other. This would mean, for example, that within an organisation competing on the basis of quality all the HR levers should be mutually supporting the acquisition, development and retention of a workforce that can deliver this strategic imperative. This means recruiting quality staff, investing significantly in the development of the organisation's skills base, defining and rewarding quality performance, involving employees in continuous improvement, etc.

We start by examining how recruitment and selection can contribute to strategic change at the three levels identified. "Upstream", first-order decisions are concerned with the long-term direction of the enterprise' and embrace 'the big decisions taken in the corporate office' such as mergers or acquisitions and divestment of an existing business. Elsewhere in the literature these first-order decisions are aggregated into broad classifications of strategy. Now identified three distinct strategies adopted by organisations to secure competitive advantage: innovation strategy; quality enhancement strategy; and cost reduction strategy. These different approaches to strategy classification can be used to drive human resource levers, in this case recruitment and selection.

The second level of strategy identified by Purcell (1989: 71) is termed 'downstream second-order decisions' and concerns the organisation structures and operating procedures put into place to support first-order decisions.

The third level of strategy is termed 'downstream third-order decisions' where functional areas, in this case HRM, define their strategies in accordance with the first- and second-order decisions and the external environmental factors operating on the organisation. Here recruitment and selection, along with other HR levers, have to take account of the human resource implications of the first- and second-level strategic decisions taken by the organisation. It is this direct linkage of third-level functional areas to corporate strategy that is referred to by Mabey and lies as 'external integration'.



Our primary concern is with two of these three scenarios - planned/predictable change and unplanned/unpredictable change - and we now go on to examine in turn how recruitment and selection can contribute to these using the six points of reference identified earlier, i.e.

- recruitment and selection and strategic change at the first level (downstream, external integration);
- recruitment and selection and strategic change at the second level (downstream, external integration);
- recruitment and selection and strategic change at the third level (downstream, external integration);
- recruitment and selection and strategic formulation (upstream, external integration);
- recruitment and selection as a facilitator of other HR change initiatives (internal integration);
- 'future imperfect' - recruitment and selection beyond the horizon.

Having explored the potential relationships between recruitment and selection and these six points of reference we go on in the next section to consider how the traditional model might be reconstructed to more adequately address the demands presented by these different change scenarios.

#### **A) Recruitment and selection and strategic change at the first level (downstream, external integration)**

Under this scenario the objective of recruitment and selection is to resource the organisation with employees who will enhance its capacity to deliver its chosen corporate strategy. Arguably the key concern here is to identify those employees whose role behaviours will achieve this objective.

#### **B) Recruitment and selection and strategic change at the second level (downstream, external integration)**

As with first-order strategic decisions there are likely to be contingent relationships between structures and processes on the one hand and staffing strategies and desired role behaviours on the other. For example, as you may have experienced, organisations regularly make major structural changes as they adapt to changing organisational circumstances. This has frequently involved a move away from bureaucratic, mechanistic structures towards organic organisations and, more specifically, the imposition of de-layering to reduce hierarchy and produce flatter organisational structures.



**C) Recruitment and selection and strategic change at the third level (downstream, external integration)**

Third-order strategy, concerns the strategic choices made at the functional level of organisations, in this case human resourcing, to deliver the strategic ends of the organisation (Evenden, 1993). For example, human resource management and culture change could represent two, sometimes interrelated, strategic responses within the HR function to the changing business climate of the 1980s and 1990s. Here we have chosen, by way of illustration, to show how recruitment and selection can be directed to support the introduction of HRM.

**D) Recruitment and selection and strategic formulation (upstream, external integration)**

We begin this subsection by illustrating the nature and importance of upstream, or two-way, external integration through reference to a short case. A large manufacturing company Mike worked for formulated an aggressive strategy to defend its dominant market position involving the expansion of its product markets and the company's share of those markets. This required significant increases in production levels. Personnel was expected to contribute by recruiting staff to meet the increased production targets. The personnel department highlighted that prevailing labour market conditions (at that time, full employment and labour shortages) precluded any large-scale recruitment making the production and marketing plans untenable thereby threatening the viability of the corporate strategy itself. The personnel department proposed an alternative strategy that involved the capital intensification of production work, restructuring and adoption of cost reduction rather than market assertiveness as the mainstay of the organisation's defender strategy. The department was instructed to stop interfering and get on with the recruitment campaign. Despite exhaustive efforts the demand for labour could not be met. This led in time to a staffing crisis and a collapse of the business strategy. Coupled with the inflow of cheaper foreign imports, this contributed significantly to the eventual demise of the organisation.

**E) Recruitment and selection as a facilitator of other HR change initiatives (internal integration)**

As discussed earlier, an important part of internal integration is the coherence between different elements of human resourcing. Here we explore how recruitment and selection can support other human resource change initiatives using work restructuring to illustrate this. You might also like to work through how recruitment and selection can similarly be integrated with all the other HR.



Two sets of employee characteristics have been identified as predictors of effective team performance. The first concerns individual characteristics such as dependability, interpersonal skills, self-motivation and integrity and the second group membership characteristics such as leadership potential, assertiveness, participation, tolerance of ambiguity and capacity to cope with stress. In reporting on case studies where autonomous work groups and high involvement work systems have been successfully introduced such characteristics have been assessed through the use of multiple selection devices. These included:

- application forms designed around the specified characteristics;
- surveying previous employers using structured questions to secure reference checks against dependability and integrity;
- work sampling;
- attendance at a pre-employment training programme;
- group interviews including current team members;
- aptitude and personality testing; and
- a series of group exercises to assess decision-making skills, problem solving and values orientation.

There was a heavy emphasis throughout on providing candidates with a realistic job preview, making selection genuinely a two-way process, and involving team members in the final selection decisions.

#### **4.2.3 Strategic recruitment and selection - the emergence of an alternative process**

Strategic recruitment and selection starts from the premiss that an organisation's workforce makes a significant contribution to the achievement of strategic goals both now and in the future. The quality of the workforce is, in part, a function of the recruitment and selection process. The concern to meet current and future strategic requirements as well as enabling adaptation to an imperfect future represents the starting point for a model of strategic recruitment and selection. The bridge between strategy and the staffing process is often filled by human resource planning which aims to interpret and convert strategy into human resource plans.



However, under the strategic model the essential elements of the recruitment and selection process are broadly similar to those outlined earlier under the 'traditional' model. The key difference is that strategic concerns drive their operation. This will mean that job analysis moves away from a narrow concentration on the current demands of specific tasks to a future-oriented process that also takes into account the wider demands of units or teams as well as the whole organisation itself.

This changing requirement is encapsulated in the strategic job analysis technique propounded by Schneider and Konz (1989). This sets out to specify the knowledge, skills and abilities that will be relevant to anticipated future job roles and tasks to ensure their effective performance as well as to provide a procedure that can be applied to job roles and tasks that have not yet been anticipated. There is a similar change in emphasis in the generation of a personnel specification.

The focus is no longer on identifying attributes associated with effective performance among current job incumbents but on those that are seen to be relevant to changing strategies and future uncertainties (Gerstein and Reisman, 1983). The person specification should therefore reflect changing patterns of work, the consequences of organisational restructuring, and different strategic priorities as well as being responsive to specific change programmes (e.g. culture change) and future uncertainties. It is critical that the specification provides sufficient detail for recruitment and selection processes to be targeted specifically at locating, attracting and assessing the desired attributes whatever they are.

The strategic model does not therefore reject traditional recruitment and selection methods, but develops and deploys them in ways consistent with overriding strategic concerns. For recruitment more thought will be given to likely sources of potential recruits and how to reach them. For selection the common reliance on shortlisting, interviews and references is likely to be eschewed in favour of more reliable and valid selection arrangements.

This may involve supplementing these selection tools with purpose-built selection methods as well as the use of a greater array of off-the-shelf assessment tools. There will be concern to increase the reliability and validity of interviews and a more realistic



appreciation of what they can and cannot measure as well as frequent adaptations to application forms and reference requests to reflect the explicit demands of different roles or jobs, for example, based around core competencies. Overall there is an implicit assumption that it will be insufficient to simply update existing job descriptions, interpret the personnel specification narrowly in terms of immediate job requirements, use the same array of recruitment media, produce standardised application forms and select by interview.

The focus spreads to role and organisational requirements and in essence recruitment and selection is interpreted as a tailor-made activity designed to relate specifically to many emerging demands. This construction makes redundant any pretence to a prescriptive model. Each recruitment and selection activity is therefore viewed through a contingency framework that recognises that it will need to be adapted to each changing scenario.

This strategic approach requires a front-loaded investment strategy where there is a concern to recruit the 'right' competencies first time rather than invest later in rectifying 'poor' selection decisions and is exemplified by practice documented in inward investment companies and a number of UK companies. This signals two further dimensions of strategic recruitment and selection. First, the cost of failure spotlights the importance of the decision-making process that underpins selection. The strategic model places much more emphasis on securing the active participation of relevant stakeholders within a more open decision-making framework.

A definition of strategic recruitment and selection serves to bring these distinct but integral elements of the model together. According to Lundy and Cowling, 'If organisation selection is informed by the organisation's environment, linked to strategy, socially responsible; valid, periodically evaluated and maintained by knowledge of leading theory and practice, then such selection is, indeed, strategic'.

These principles enable the traditional model to be reconstituted into a strategic model of recruitment and selection. Within this model and from our earlier discussion it is possible to distil a number of core dimensions that underpin strategic recruitment and selection.

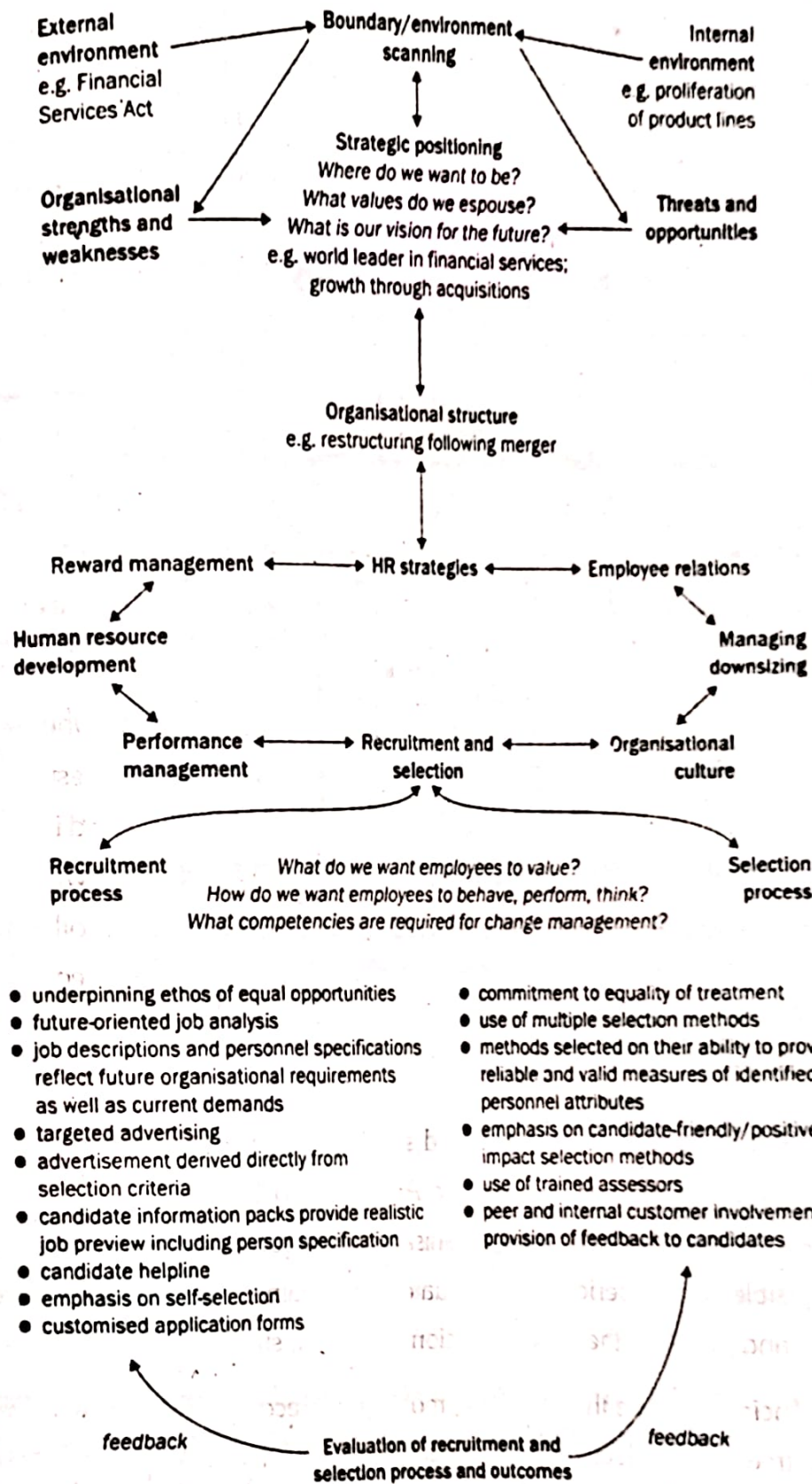
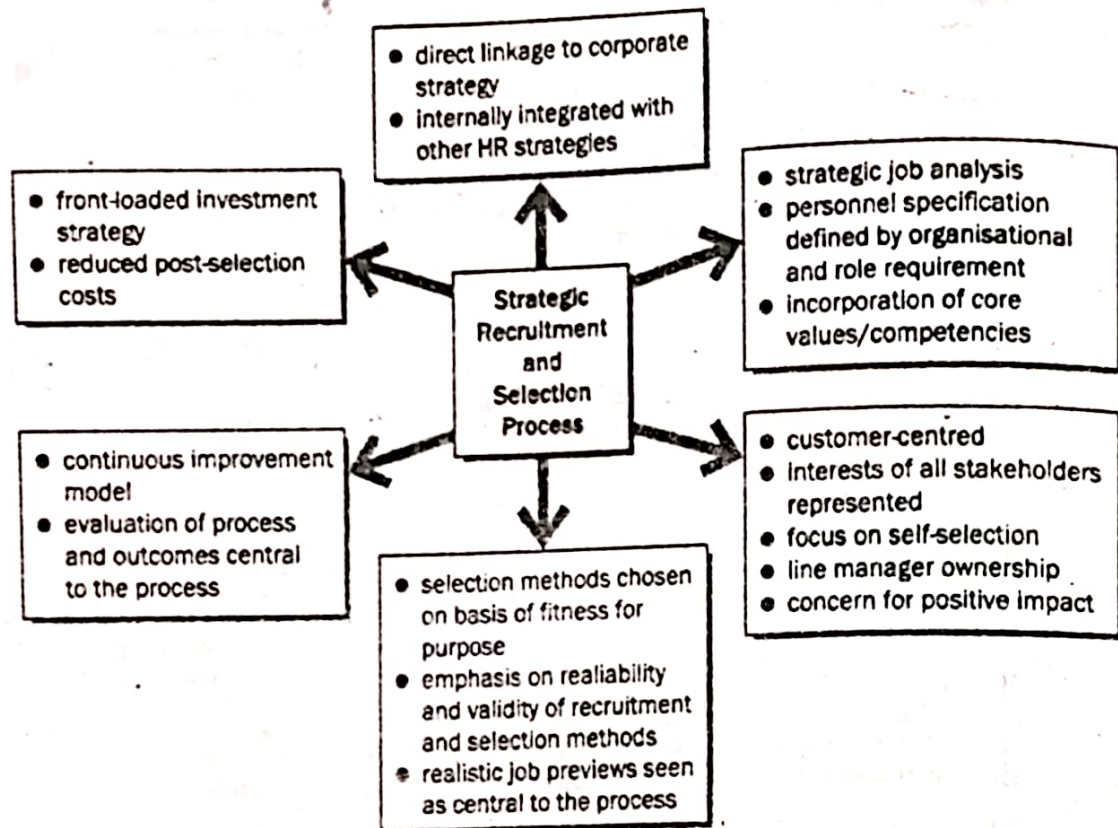


Fig.: Strategic Recruitment and Selection





**Fig.: Core dimensions of Strategic Recruitment and Selection**

There is, however, little evidence to suggest that practice is moving significantly in the direction of strategic recruitment and selection. Scholarios and Lockyer (1996) identify a gap between rhetoric and reality where evidence suggests little take-up of more sophisticated procedures and a continuing reliance on traditional approaches, while Lundy and Cowling point to a 'paucity of cases which demonstrate strategic selection in action'. We now consider why this might be so.

The strategic model with its emphasis on tailor-made procedures is expensive in terms of both time and money. Because of this the potential for front-loaded investment in staffing processes may be restricted to large organisations and is, anyway, unlikely to be compatible with cost reduction strategies.

The strategic model may also be perceived as demanding an unobtainable nirvana where selection is successfully made against a composite personnel specification embracing specific job requirements, group fit and organisation fit both now and in the future. Even if managers have time to work through these scenarios it may appear self-evident that compromises between these different demands may be necessary leading to sub-optimal decisions which could then threaten the integrity of the whole process.



### 4.3 PERFORMANCE MANAGEMENT AND THE MANAGEMENT OF CHANGE

Performance appraisal has traditionally been an important personnel management activity. It has often been seen by non-personnel staff as marginal to the mainstream of the organisation's activities and has therefore been perceived as bureaucratic and procedural - an unnecessary evil. But in recent years, in many organisations, the image of performance appraisal, however unfair it may have been, has changed. Performance appraisal is now seen in these organisations as part of a set of techniques for managing employee performance.

The performance appraisal by considering the broader approach of performance management, of which performance appraisal is a key component. We analyse performance management from a processual perspective. The touchstone of this approach is a performance cycle which details four key processes in performance management. Processes focus on what actually happens in systems and structures rather than dwelling on the systems and structures themselves. What forms the main body of this chapter is an analysis of the way in which these processes are implemented. This analysis underpins the way in which performance management may contribute to organisational change.

The real contribution which performance management can make to organisational change is through the actions of line managers and individual employees in acting out these processes. The analysis places particular emphasis on the role of line managers in implementing the performance management processes. Their belief in the value of performance management and actions to support that belief are crucial.

#### 4.3.1 Performance management at Siemens Standard Drives

Based in Congleton, Cheshire, Siemens Standard Drives is the global headquarters for the Variable Speeds Drives business of the German electronics giant Siemens AG. It employs 430 in the design and manufacture of specialist electronic control equipment used in a wide range of industrial applications. In 1996 it had 5 per cent of a world market dominated by Japanese competitors Fuji, Mitsubishi and Yaskawa. Its target is an 8 per cent market share by 2001 and to be the market leader with over 10 per cent by 2005.

To achieve this ambitious objective Siemens embarked on a nine-month process re-engineering project as 'initiatives, large and small, radical and conservative, whose common theme is the achievement of significant improvements in organisational



performance by augmenting the efficiency and effectiveness of key business processes'). It was clear that significant process improvements would be required. The company adopted a programme called 'World Class for 2000', the aim of which was to benchmark with other manufacturers and adopt the best processes in all areas and thus engender a culture of world-class practices. These included:

- A zero defects culture;
- Cellular and team-based manufacture;
- Daily cell meetings to discuss and agree targets;
- Minimum stock at all stages of the manufacturing process; » just-in-time Kanban delivery from suppliers direct to cell;
- Visible and agreed performance measures which form the basis for regular performance feedback; m a multi-skilled and highly flexible workforce; a total satisfaction of customer demand.

Much was made of the ability of process re-engineering to bring a new start for the company. The adoption of this new approach was made easier through the commencement of a new production management team and a new personnel manager. The first task of this team was to restructure the manufacturing operation to align personnel roles with the new structure.

The company had been structured on traditional functional lines. This meant that there were too many layers of responsibility, decision making was slow and personnel management responsibility was unclear and therefore ineffective. In order to meet the new operating strategy the structure was changed radically. The new structure is built around two main production segments. One of these manufactures printed circuit boards (PCBs) and the other assembles and tests final products.

Each production segment adopts a cellular manufacturing approach with 20-strong production teams headed by a group leader who has total responsibility for all aspects of the team's operation. The production groups are product-based and have all the constituent parts of an autonomous cell, i.e. operators, a technician, a line feeder, and a test operator. For example, a product-based group in the PCB segment has total responsibility for the generation of an assembled, tested and packaged PCB.

The group is responsible and accountable for its output and operation. The issue of accountability is crucial to success. If a team member is not performing adequately the group leader is empowered to remedy this situation. Initially this would be by giving



assistance to the individual to improve performance. In the event of such improvement not materialising the group leader has the power to terminate the individual's contract and recruit a replacement. This new approach was well received by the majority of production staff. However, in the early stages of this process approximately 10 per cent of employees decided they could not meet the new principles and left by mutual agreement.

The role of the group leader is vital. A few of the nine group leaders had been supervisors previously. However, they all accepted that with the new role carrying full operational responsibility and accountability the job could not have been more different. Most of the group leaders had previously been PCB or mechanical assembly operators. They were selected for the new group leader posts on the basis of their business awareness and people management potential. Their training for the new role emphasised team building abilities.

The senior management hope that the enthusiastic example they set to their team members will be infectious. Group leaders hold their own quality meetings and daily 'early bird' meetings to discuss important issues for the day. They select, train and appraise team members. Siemens Standard Drives is also adopting an annualised hours system whereby team members work a differing amount of hours weekly, albeit that an annual target must be reached. The group leader plans staffing levels as part of this system. The key aspects of teamworking are shared ownership of objectives, skills training, performance feedback, communication meetings and, most importantly, 'no secrets'. Part of the culture change which the company has sought is the generation and publication of shared values. The values agreed by the teams which are prominent are openness, honesty, trust and respect.

Performance management is a vital aspect of the group leader's job. It has three elements. The first entails setting individual performance objectives. This is done six-monthly by group leaders. Siemens uses the management by objectives approach where objectives are cascaded from overall business objectives through the four-tier company hierarchy to operators. These objectives are displayed clearly at the entrance to the production area. The criteria emphasise quality, efficiency, attitudes (in particular, flexibility) and attendance. The link between these criteria and overall business performance is obvious and demonstrable.

Dialogue between the group leader and member is the second element. This has two components: an assessment of the member's performance against objectives set and a discussion of the member's training and development and career planning needs.



Managers stress the need for a dialogue characterised by 50 percent input from both group leader and member. A crucial part of this dialogue is the views of the team member on the ways in which he or she thinks the company may be managed more effectively. This dialogue is seen by managers to be a vital aspect of the 'open and honest' values they are seeking to create.

The third element of performance management is the outputs of the process. Siemens Standard Drives is currently in the process of designing a performance-related pay system which will be based on performance objectives. In the recently adopted appraisal system described above the group leader makes it clear to each team member how progress through the pay structure can be achieved. This conversation is documented, and 'owned' by the team member.

All employees are clear that in a performance management system driven by business objectives those employees who do not add value to their team through achievement of their individual objectives are held accountable for such failure. In such cases, improvement targets are agreed by the team member with the group leader and the implications of failure to meet these targets is made clear. In most cases the necessary improvement has been forthcoming. But in some cases team members have been the subject of the disciplinary measures which have been taken publicly and in accordance with the disciplinary procedure, with some dismissals.

The new approach has had considerable success in the twelve months since it was introduced. Labour efficiency has increased from 58 per cent to 78 per cent and delivery performance from 72 per cent to 94 per cent.

#### **4.3.2 Performance management: old wine, new label, new flavour**

Clark indicates that 'there is no single universally accepted model of performance management in use'. It is a term which originated in North America and is used to describe an integrated set of techniques which have had an independent existence under their own names (e.g. performance appraisal). Storey and Sisson (1993) note that at its broadest the term can mean any activity which is designed to improve the performance of employees. At its narrowest performance management is used to refer to individual performance-related pay. The definition we adopt in this chapter is that which emphasises the three basic activities recognised by Storey and Sisson (1993).

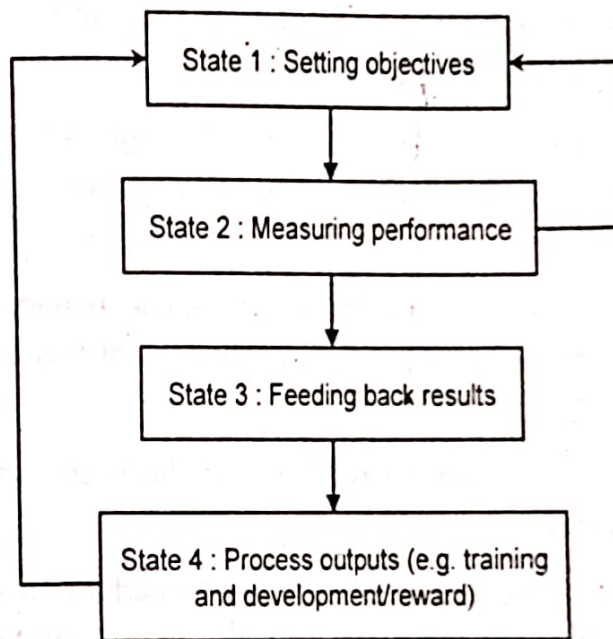
These are:

1. Setting clear objectives for individual employees which are derived from the organisation's strategy and departmental strategies (or, as they call this, 'departmental purpose analysis');

2. Formal monitoring and review of progress towards these objectives;
3. Using the outcomes of the review process to reinforce desired employee behaviour through differential rewards and identifying training and development needs.

Clark (1995) stresses one additional performance management activity which you will have noticed is emphasised at Siemens Standard Drives: that of feeding back to the employee the results of the formal monitoring.

Clark, like Storey and Sisson, emphasises that performance management's set of processes is operated in a cycle (figure).



**Fig.: The performance management cycle**

In Clark's cycle there is a stage which is placed after the four stages of setting objectives, measuring performance, feeding back results and rewarding based on results. This stage entails the possible amendment of objectives and changing the activities which contributed to the performance measure. This creates a direct feedback loop to the setting of objectives.

Storey and Sisson (1993) also build in feedback loops. Employees have their objectives set in accordance with corporate or departmental strategy. A feedback loop is evident at this point to allow amendment to the objectives in the light of particular departmental strengths and weaknesses. At the next stage formal monitoring and review of progress towards those objectives takes place. This generates the outcomes of differential rewards and identification of training and development needs. Another



feedback loop is inserted after this stage 'to allow renewed individual objectives so that the department may adjust its mission in the light of enhanced performance levels achieved'.

### **Interest in Performance Management**

A major study of performance management claims it offers several advantages. Among these are:

- more effective employees able to meet increased product market competition;
- a greater opportunity for employees to share in the organisation's vision and the way to realise that vision;
- the pushing of key decisions down the organisational structure to line managers and supervisors (note the importance of this at Siemens Standard Drives);
- a greater acceptance of accountability by line managers of the necessity to make such decisions (note the importance of this at Siemens Standard Drives); and
- reward structures which forge a clear link between individual and/or group performance.

You will note that these claimed advantages for performance management have a missionary zeal about them suggesting that they have an important part to play in the generation of organisational change. They are a long way from the traditional 'just another piece of personnel bumph' view of performance appraisal so prevalent in many organisations.

We will now explore in more detail the ways in which performance management may contribute to organisational change. These are:

1. Communicating the organisation's mission; making employees more effective by linking their performance objectives to those of the organisation
2. Involving employees in decision making; assisting restructuring through the development of decision making; making managers manage
3. Linking employee rewards to individual performance
4. Reducing trade union influence; and developing employees in line with organisational goals.

### 4.3.3 How performance management may contribute to organisational change

#### A) Communicating the organisation's mission

Performance management is characterised by the major influence the organisation's strategic objectives have upon the definition of unit, department, team and individual performance objectives. Siemens Standard Drives is a good example of this. The mission is to be market leader by 2005. This provides a clear focus and rationale for all the change the company is promoting. The challenge for senior managers is to get all employees to be committed to the mission.

The pursuit of employee commitment to the organisation's mission is something which has dominated people management thinking in recent years. Beer *et al.* (1984) specified commitment as one of their 'HR outcomes'. Guest (1987) identified commitment as one of the four goals of HRM together with strategic integration, flexibility and quality.

Legge suggests that the orthodox interpretation of commitment 'is operationalised in terms of three factors: a strong desire to remain a member of the organisation; a strong belief in, and acceptance of, the values and goals of the organisation; and a readiness to exert considerable effort on behalf of the organisation'. Guest (1987) argues that the theoretical proposition which follows from this orthodox interpretation of commitment is that organisational commitment will result in high employee satisfaction, high performance, longer tenure and a willingness to accept change.

The research evidence on the effects of employee commitment is inconclusive, not the least reason being the difficulty of separating cause and effect (Legge, 1995). For example, you may be asking: does the opportunity to negotiate individual performance objectives cause employee commitment or does a committed employee define the objective-setting process as negotiation where, in truth, it is little more than imposition with a cursory opportunity for the individual to disagree? What this suggests is that testing the theoretical proposition that employee commitment leads to specific outcomes is extremely difficult.

However, we need to make two points here. The first is that managers have taken this theoretical proposition as an act of faith on the assumption that employees who 'sign on' to the organisation's goals are more likely to be effective performers than those who are at best apathetic or at worst alienated. Notwithstanding the complexity



of the topic masked by its seeming simplicity, it is a compelling argument. The second point is that without the communication of the organisation's mission, commitment to it is impossible. Performance management offers an excellent opportunity not only to introduce the mission but to reinforce it consistently through regular reviews of individual performance.

**B) Making employees more effective by linking their performance objectives to those of the organisation**

Much of the writing on HRM in recent years has stressed the importance of integrating human resource activities with the strategic objectives of the organisation. This may take the form of, for example, selecting the sort of people who have the potential to deliver a contribution specifically to organisational objectives and training them in such a way that such performance may be realised. But performance management offers the most obvious link. As you saw at Siemens Standard Drives, the performance objectives of individuals are derived from the organisation's objectives.

This raises the question of the extent to which designing a clear link between individual job and organisational objectives will actually create that connection in practice. For reassurance, doubting managers may turn to goal-setting theory. Goal-setting theory has a long history which has been substantiated over 30 years of research.

The components of the theory are that:

- Clear and challenging goals lead to higher performance than easily attainable goals, those goals at which you try your best or no goals;
- Goals affect performance by directing employees' attention and effort, increasing their determination to succeed and motivating them to develop strategies for achievement;
- Goal-setting is most likely to improve employees' task performance when goals are clear and challenging; employees have sufficient ability to achieve them; supportive managers give regular feedback on the level of progress being made; tangible rewards, such as money, are given for goal achievement; and employees accept their goals.

Many performance management schemes involve setting employees challenging goals. An oil company in which we did research call them 'stretch goals'. An insurance company whose performance management scheme Phil studied emphasised that



rewards would only be given to those employees who demonstrated improved performance; performing at last year's level, however good, simply wasn't good enough. You may be thinking that this reveals a particularly 'hard' side to performance management. What it does imply is the necessity for managers to ensure that the opportunity is available for individuals to demonstrate improved performance.

### **C) Involving Employees in Decision Making**

This is a significant way in which performance management may potentially contribute to organisational change. You will remember that we indicated above that employee commitment is one of the goals of HRM. Employee involvement is one of the most significant processes whereby this goal may be realised. Among the strongest advocates of this philosophy is Walton (1985). Walton argued that employees are more likely to respond to and feel involved in situations where they are provided with an opportunity to undertake work that offers enrichment, broader responsibility in relation to typical approaches to job design, and satisfaction. From this, an increased contribution may result. While this apparently ideal scenario is questionable in relation to its suggested Causal linkages and actual practice, performance management may be seen to offer the opportunity for involvement and an encouragement to contribute.

This opportunity for employee involvement in the performance management system comes before the cycle begins. ACAS (1996), although referring specifically to appraisal-related pay, stress the importance of involving employees in the design of schemes from the outset. ACAS recommend, in particular, that there should be employee involvement in decisions on such issues as the coverage of the scheme, how it will operate, and the resources and training to be provided. It seems reasonable to assume that if employees have had a say in the design of the scheme they are more likely to accept its legitimacy than if the scheme is imposed upon them. Involving employees at the scheme design stage is also a tangible recognition by managers that they do not possess the monopoly on good ideas. This may be a significant indication to employees of the willingness of managers to be open in their operation of performance management.

One of the most powerful ways in which individuals may become involved in the performance management process is through self-appraisal. This may play an influential role in the performance management cycle in that it involves employees in assessing their own performance against set goals and planning ways in which performance may be developed.



This will often lead to a reformulation of goals, thus linking back to the first stage of the performance management cycle. Not the least reason for the power of self-appraisal as an employee involvement technique is the tendency for individuals to be more critical of themselves than their managers would be, as McKenna and Beech (1995) note in an example of Michelin workers. This gives managers the opportunity to give positive feedback to the employees, thus building their confidence.

#### **D) Assisting Restructuring through the Devoivement of Decision Making**

In their model of strategic HRM, Mabey and Salaman (1995) hypothesise that structural, cultural and personnel strategies, when aligned with each other and with the overall business strategy of the organisation, should result in employee behaviours consistent with the demands of the business strategy. Some writers are critical of this model. It is accused of being overly rational in its assumptions about the way in which strategy is determined. This rationality excludes the 'emergent' model of strategy determination. It assumes that strategy is 'top-down' without the possibility of human resource strengths shaping strategy. According to this rationalist view, 'HRM is cast purely in a reactive, implementationist role'.

An equally fundamental criticism is the highly deterministic role of strategic HRM which assumes that the integration of strategic HRM policies and practices will have a beneficial effect upon the performance of the organisation. This is a considerable assumption, not the least because of the difficulty of subjecting the assumption to empirical test due to its complex, all-embracing nature (Noon, 1992). These deterministic assumptions of SHRM mask the complexities of organisational life. To think that simply aligning policies and practices will yield 'success' ignores the host of variables which may conspire to render such an outcome unlikely, one of which may be the resistance of employees who have not 'signed on to' the organisation's mission. In short, SHRM's deterministic perspective is based on assumptions of rationality and unitarism which disregard the political realities of organisational life.

Strategic HRM has become an important way of thinking about the employment relationship. These criticisms of a strategic HRM, of which structure is a significant element, seem to us to be perfectly valid. But it cannot be denied that many organisations have seen restructuring as an important plank in their organisational change strategies.

One of the key elements of this has been the decentralisation of their organisational structures in that responsibility for decision making has been pushed down the organisational hierarchy to the level where the job is undertaken. The creation of teamworking at Siemens Standard Drives is a typical example.



This better understanding is achieved in two ways.

1. First, it means that individuals and teams are likely to be much more responsible for their performance if they can see precisely what it is they are supposed to achieve, particularly if they have had a hand in setting the objectives.
2. The second way is that performance management, through its close relationship between unit goals and organisational goals, is potentially a powerful way of ensuring the optimum use of resources.

A good example of this is the Siemens Standard Drives annualised hours system which seeks to make optimum use of the most costly of their resources: labour. Teams are set targets for labour utilisation which implies the necessity for more hours to be worked when product demand is greater and less hours worked when demand is less intense. This has at least two outcomes which have important effects on organisational change.

First, it means that employees, and in the case of Siemens Standard Drives, their trade unions, need to be more flexible in their thinking about the nature of their relationship with their employer. The needs of the customer dictate the demands for work, not the needs of the employee. This is a good example of the customer-driven thinking which managers would like to think is now prevalent in most organisations.

The second outcome is, as far as senior managers are concerned, the most significant: costs are controlled, rendering the organisation more competitive in the product market.

### **Making Managers Manage**

Closely allied to the role of performance management in contributing to organisational change through assisting the devolvement of decision making through restructuring is the role of line managers in conducting the performance management process. There are two aspects of this which we discuss below:

1. First, the importance of line managers in delivering what has become known as 'human resource management' of which performance management is a key part;
2. Second, the accountability for their actions which performance management imposes upon line managers.



In the UK there has been a tendency for managers to be technicians who do not always appreciate the importance of 'people policies'. This is because many of them see their own technical specialism as their priority. Consequently, managers often experience difficulty with many of the complex interpersonal skills which are necessary in performance management. Storey talks of the line manager's role in human resource management becoming one of 'transformational leadership', seizing the initiative for managing people from the personnel specialist. The leadership style is one of facilitation rather than autocracy. The skills of facilitation are particularly necessary in the first and third stages of the performance management cycle: the setting of objectives and the provision of feedback to the individual.

The desire of organisations to thrust more accountability for performance on managers flows from the perception that this is something that managers tend not to do well. This is accounted for by Kanter (1987) in terms of the desire not to make, announce and defend difficult and uncomfortable decisions. The consequence of this is statistical distributions of individual performance-related pay which concentrate on the middle ranking, thus defeating the object of paying for differentiated performance, and managers who 'hide' behind their decisions, claiming that they fought on behalf of their employees and lost, or that their hands are tied by the budget or the policies of the personnel department (Lawler, 1990).

Kessler and Purcell too found evidence of the desire to 'make managers manage'. As they note, individual performance-related pay 'is often seen as a means of forcing a manager into a direct one-to-one, usually face to face relationship with their employees'. They also noted in their research how the pressure on managers came additionally from employees who, as one of their interviewee managers noted, 'are interested in money, and they're going to be badgering you to do it'.

#### **F) Linking Employee Rewards to Individual Performance**

Performance-related pay is the aspect of performance management which has received most attention in recent years. Much of the literature on performance-related pay has been critical. It has dwelt on its dysfunctional aspects, for example, its lack of success in motivating employees due in part to its perceived lack of fairness. However, it is our contention that in spite of performance-related pay's operational shortcomings it does have the facility to generate organisational change. This is principally due to its power to communicate the message to employees that the organisation's culture is changing from one which is 'business as usual' to one in which the need to perform at a higher level than hitherto is necessary. In other words, the message is generally that the organisation is getting 'tougher'.



Here we will remind you only of sufficient detail in order that you may understand the importance of culture to performance-related pay. The most useful working definition of organisational culture to adopt for the purpose of demonstrating the culture change potential of performance-related pay is that of Schein (1992).

Schein talks of organisational culture as operating at three levels. Level one is symbols (although he refers to these, rather more narrowly, as visible artefacts or creations). These symbols may be the chief executive's reserved parking space, or, at the other extreme, the existence of a single-status canteen in which all grades of employee eat. Both communicate a message about the culture of the organisation, or what senior managers would like to think of as the culture of the organisation.

Schein argues that symbols enable little more than a superficial description of, say, behaviour. In order to understand why this behaviour occurs one must look for espoused values that govern behaviour. This is Schein's second level. To establish the espoused values it is necessary to note what people say is the reason for their behaviour. Values may typically be found in mission statements or the sort of 'good news stories' which managers would like to think underpin the actions of people in organisations. But Schein argues that a third level is really necessary to understand a culture and comprehend more completely values and behaviour.

This involves uncovering the underlying assumptions of which group members are often unaware but which usually influence strongly how they perceive, think and feel about issues. We think that performance management and, in particular, performance-related pay, is a visible artefact - a symbol, which is being created by management in order to challenge the pattern of basic assumptions which may exist in the organisation, thus changing the organisation's culture.

#### **4. Reducing Trade Union Influence**

Performance management, and performance-related pay in particular, strikes at the well-established union principle of 'the same rate for all': a move away from collectivist to individualist principles. Heery argues, with support from local government case study examples, that some employers have clear antiunion motives for wishing to introduce performance-related pay. He cites examples of organisations which have used performance-related pay as the occasion to de-recognise trade unions, although he points out that this is by no means an inevitable consequence of its introduction. A more likely motive is the weakening of collective bargaining. This can affect bargaining structure in two ways: by reducing its scope and depth.



The typical situation in which bargaining scope is reduced is where the size of the performance-related pay 'pot' is negotiated collectively but the allocation to individual employees is at the discretion of line managers. This is favourable to the circumstances in which, Heery argues, bargaining depth is reduced: i.e. where the union is involved in consultation over the type of performance-related pay scheme but has limited influence over the outcomes.

A second negative outcome of performance-related pay for trade unions is that it is likely to reduce the perceived need of members for collective representation (Heery, 1992). This is for four reasons. First, the instrumental value of union membership may decline as the role of collective bargaining diminishes. Second, the individual nature of performance-related pay may lead to a weakening of the collective ethos of trade unionism. Third, members may perceive performance-related pay as indicating reduced management support for unions and so may indirectly discourage membership. Fourth, if schemes meet employee aspirations for recognition and reward, the amount of grievances will reduce thus reducing the need for union representation.

#### **H) Developing Employees in Line with Organisational Goals**

Traditionally, one of the key purposes of performance appraisal has been the recognition of the individual's training needs and a recognition of the potential the individual possesses for career advancement. The very term 'performance management' suggests that such functions are downgraded in the current trend towards a rather 'harder' approach to managing performance. To some extent this is confirmed in the Institute of Personnel Management (1992) research, where it is noted that reward outcomes of performance management tended to dominate development outcomes. Even so, nearly three-quarters of responding organisations used performance management to identify the training needs of individuals in their current jobs and over half did so to recognise needs for future development.

In addition, nearly four out of ten organisations used performance management to recognise individual potential, and 21 per cent used the scheme for recommending employees for promotion. This evidence suggests that training and development is still seen as a valuable element of performance management in spite of the conventional wisdom that including pay and training in the same appraisal process is not good practice. It is clear that training and development has enormous potential for contributing to organisational change. An effective system for identifying training and development needs is clearly important.

## 1.4 REWARD MANAGEMENT AND THE MANAGEMENT OF CHANGE

Reward has long enjoyed something of a Cinderella status. It has been seen as inhabiting 'the turgid, unimaginative and inflexible world of wage and salary administration'. But this 'world' for many organisations has changed in recent years.

### 4.4.1 Strategic Reward Management

Any consideration of the relationship between employee reward and organisational change must begin with a clarification of what it is the organisation wishes to change and why. A logical starting point for this process is to clarify what it is that the organisation wishes employees to do which may be different from that which they are currently doing. Equally logical is the rationale for such changed employee behaviours: that is. They should be consistent with what the organisation is seeking to achieve through its business strategy.

#### Elements of Reward System Design

The strategic reward model in Fig. suggests that reward strategy starts with a consideration of the external and internal operating environments. Clearly this was vital in the case of MML because of the profit demands being made by both the owner and government as well as the increased expectations of customers. Armstrong (1993) notes that the internal environment consists of the organisation's culture, structure, technology, working arrangements, processes and systems.

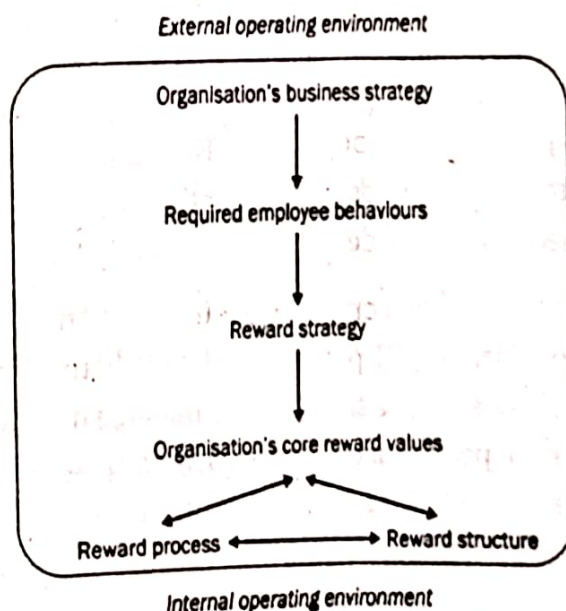


Fig.: Key elements of reward system design



The strategic reward management model is highly deterministic. It reflects a very 'bottom line' orientation (Beaumont, 1993: 205) which assumes that an effective reward strategy will have a beneficial effect upon the performance of the organisation. This is a very considerable assumption because of the difficulty in subjecting it to empirical test. The model masks the complexities of organisational life.

It seems that caution needs to be exercised in assuming that the implementation of strategic reward management will lead to a reward strategy which will automatically change employee behaviours in line with the organisation's business strategy. There are far too many variables which may conspire against such a straightforward cause-effect relationship. However, it would be foolish to abandon the possibility that reward strategy may play a role in contributing to organisational change.

The purpose of the analysis is to explain how integration between the HRM strategy and the reward strategy, and integration between the three components of the reward strategy itself, may contribute to changed employee behaviours.

The analysis starts with a consideration of the employee behaviours employers may wish to encourage. The relationship between HRM strategy and reward strategy is then examined briefly. The main part of the analysis is devoted to a consideration of the reward strategy's values, structures and processes.

#### **4.4.2 Using Rewards to Change Employee Behaviours**

The strategic HRM literature reflects the desire for certain key goals: employee commitment to the organisation's aims; employee competence; flexibility; and the production of quality goods and services. Among the employee behaviours which MML wish to encourage, flexibility is the most important. This entails working at a variety of tasks at variable times. This is particularly significant given the 'it's not my job' culture prevalent in the days of strict job demarcation. In addition, like most employers in competitive product markets, MML wished to encourage employees to take more responsibility for customer care by learning new skills and attitudes.

At this point we raise the assumption which dominates reward management thinking in general and the model in Figure in particular. This is that pay has the ability to motivate employees to behave in a way in which they may not otherwise behave. The theory which tends to predominate here is that of rational economic person.

This has its roots in the work of F.W. Taylor (1911) who assumed that workers were lazy and needed money to motivate them to expend greater effort. The prevalence



payments-by-results schemes this century, in particular for blue-collar workers, testifies to the influence of this way of thinking about the relationship between pay and employee effort. Later, this approach was questioned by the human relations school which queried the over-reliance on money as a motivator and argued that social relationships were an important determinant of employee productivity.

Equally well-known are the theories of Maslow and Herzberg. Maslow's 'hierarchy of needs' suggests that people's needs change as they ascend a hierarchy which has basic needs for food, security, etc. at the lowest level and self-actualisation at the highest. Herzberg argued that employees were more likely to be motivated by factors such as achievement and the work itself rather than simply money. While money has only limited power to motivate, it does have the ability to de-motivate employees if they are dissatisfied with the amount they receive or the way in which this amount is determined.

It is beyond the scope of this chapter to go into detail on these and the many other motivation theories. What is clear is that this is a highly complex issue. Perhaps the best we can say is that money may motivate some people to behave in particular ways some of the time, in some circumstances. What we cannot assume is a clear relationship between pay and motivation.

### **4.4.3 Reward Management Values: Their Role in Changing Employee Behaviours**

Earlier in this chapter we noted the importance Lawler (1995) placed in consistency between the three components of reward strategy: values, structure and processes. In particular, Lawler claimed that an inconsistency between what the organisation says and does in its reward strategy may lead to employee discontent. It follows from this that the reward values which employers espouse are of great significance. In this section we look at five values which organisations may consider in reward management design. These are the degree to which the organisation believes in

- paying for performance;
- equity;
- employees sharing in the organisation's success;
- employee involvement in reward strategy design and implementation;
- combining financial and non-financial rewards.

We now discuss each of these in turn.



### **1. Paying for performance**

Paying for performance may take at least two forms: individual performance-related pay and team-based performance-related. Individual performance-related pay has considerable potential to change the organisation's culture due to its symbolic significance as a distinctive 'message carrier'. Indeed, research evidence suggests that moving towards a more 'performance-oriented culture' was a prevalent reason for introducing individual performance-related pay.

### **2. Equity**

It would be claiming too much to say that the value of equity may be a major contributor to the promotion of changed employee behaviours. But there is little doubt that if employees feel their pay to be inequitable then the change managers hope for in their new reward strategy are unlikely to materialise. This is because perceived inequity among employees will lead to a lack of employee acceptance of the reward strategy which is a key determinant of success.

### **3. Employees sharing in the organisation's success**

Organisations that wish to promote a high level of employee identification with the pursuit of success are likely to have an element of sharing in that success built into their reward strategy. The most popular form this has taken is profit-related pay. Other forms include gainsharing and schemes where employees obtain shares in their employing organisation. There is more about these schemes in the next section, on structures. However, it would be claiming a lot to suggest that these schemes play much of a role in changing employee behaviours due to the rather distant connection between effort and reward.

### **4. Employee involvement in reward strategy design and implementation**

Traditionally, employers have not contemplated employee involvement in reward strategy design and implementation. Yet we take the view that the chances of a reward strategy gaining employee acceptance is that much greater if employees have a say in both design and implementation. We include some thoughts on how this may be accomplished in the section on reward management processes.

### **5. Combining financial and nonfinancial rewards**

At the beginning of this chapter we made the point that the term 'reward' would be used in the chapter because it includes non-pay rewards. The extent to which an organisation combines financial and non-financial rewards in its reward strategy reflects



a clear value position. Over-reliance on pay as a motivator is likely to be accompanied by other human resource policies which assume a scientific management perspective (e.g. no involvement in management decisions, minimum employee control over the way in which jobs are performed). Recognition by the employer that non-financial rewards may play an important part in attracting, and more particularly retaining, employees suggests a view of humanity which recognises that individuals require more for their efforts than pecuniary reward.

#### **4.4.4 Reward Management Structures: Their Role in Changing Employee Behaviours**

Having looked at the values which employers may wish to foster through the reward strategy, we now turn to the structures which may be put in place to promote four of these values: paying for performance; equity; employees sharing in the organisation's success; and combining financial and non-financial rewards. (Employee involvement is considered in the following section on reward management processes.)

##### **1. Paying for performance**

Paying for individual job performance is, for many organisations, at the heart of a reward strategy. This raises what for many employees is a highly contentious issue: the putting at risk of a proportion of their salary. When most of us think about our pay we think in terms of base pay the fixed amount which traditionally has increased yearly to reflect inflation and, often, our length of service with the organisation. Base pay will also change, of course, upon promotion to a more responsible job. For many of us this has embodied our values of predictability, security and permanency - the very opposite of change.

##### **2. Equity**

The pay issue which has gained more publicity than any other in recent years is that of directors' pay. The image of directors gaining huge pay increases in a time when their organisations have been declaring redundancies and trimming general pay costs is one that has created a feeling of profound internal inequity.

A lack of internal equity may also be evident in the case of perceived inequality between the pay of men and women. An issue which is discussed less often is the possibility of perceived inequality in the comparison between white-collar and blue-collar workers.



### 3. Employees sharing in the organisation's success

A recurrent theme throughout this book is that organisational change is more likely to be achieved if employees feel themselves to be a valuable part of the organisation. Reward schemes which enable employees to share in the organisation's success (or failures) are a powerful way of reinforcing this message.

Awareness of commercial performance may also be enhanced by the various employee share ownership schemes, such as the scheme which exists at MML, where employees are able to purchase shares in their employing company.

### 4. Combination of financial and non-financial rewards

We noted earlier the importance of non-financial rewards in a reward strategy. For many employees these may be particularly important as motivational tools. This is because of their capacity to meet the employees' needs for achievement, recognition, responsibility, influence and personal growth. We note below some of the structures which may need to be in place in order that these needs may be realised. This in turn increases the possibility of organisational change consequent upon more positive employee attitudes and behaviours.

#### 4.4.5 Reward Management Processes: Their Role in Changing Employee Behaviours

In this section we consider key reward management processes which are associated with the reward management structures analysed above. It is our view that these processes are usually given scant attention in the reward management literature. The emphasis is invariably upon structures. However, the soundest structures based upon a clear view of the values which underpin the organisation's reward strategy are of little value if they are implemented ineffectively. If that is the case they are unlikely to lead to the reward strategy playing its part in encouraging the changed employee behaviours necessary for organisational change.

Here we do not discuss, as we did in the previous two sections, the processes associated with each of the reward management values. Instead we concentrate on two process issues: employee involvement and communication. It is these two which appear to be the most significant and which are given the most attention in the literature.

#### 1. Employee involvement

We make the point in the section on values that employee involvement in the design and implementation of reward strategy is likely to lead to greater employee acceptance of the strategy. This acceptance means that the change organisations seek to generate through revised reward strategies is likely to be achieved.



Schuster and Zingheim (1992) advocate that employee involvement in the design of reward strategies may occur at five stages.

- (i) In the first of these there is a feasibility study to establish precisely what is expected both from a new reward strategy and the involvement of employees in its design.
- (ii) In the second stage a task force is set up. This may comprise about a dozen members: managers, supervisors and employees. The group's task is to consider all the possible methods of achieving the expectations defined in the first stage and to put a proposal to senior management about the purpose and content of the new reward strategy.
- (iii) At the third stage the strategy is implemented. Schuster and Zingheim assert that involved employees should be held accountable for the results achieved following monitoring of the strategy. This means monitoring not only the pay strategy itself but also the process of its design.
- (iv) The fourth stage is particularly important. This is the communication of the strategy to affected employees and training of those supervisors and managers who have to implement it. The more radical the new strategy the more the communication effort is necessary as, for example, British Gas Trading discovered when it needed to announce details of a pay freeze for some employees and reduced rises for others in the light of a predicted downturn in the business cycle (Welch, 1998).
- (v) The final stage is monitoring and evaluation where the task force meets regularly to review progress.

Schuster and Zingheim (1992) make two further valid points. The first is that organisations may consider an employee attitude survey prior to the consideration of a new reward strategy. This can be seen as an important part of the communications effort in that it sets the climate for introduction. Their second point is equally important: employee involvement will not be sufficient in itself to lead to reward strategy success. They argue that new pay plans must be technically and qualitatively sound in order that they may be effective.

## 2. Communication

The amount of information which the organisation communicates about its reward strategy and the way in which it is implemented says a good deal about its culture. In some organisations pay is very much a secretive issue. We have worked in organisations



where we have been discouraged from talking about pay to our colleagues. Such organisations are unlikely to articulate to their employees their reward values or the purposes of the particular reward structures they adopt (assuming they are clear about these purposes). In addition, the reward processes will probably be notable for their lack of openness to employees. In such cases employees will be unaware of the criteria for rewards or promotion.

It is understandable why managers may wish to veil reward issues in secrecy. Secrecy affords managers greater flexibility in their dealings with employees. This may be justifiable, for example, in certain labour market situations where it is necessary to pay some newly recruited employees at a level which existing employees may perceive as unfair. A lack of openness implies that managers have to be less accountable for their decisions than in situations where reward issues are open. This may be attractive to many managers. However, as Lawler (1984) notes, the disadvantages of secrecy surrounding the reward strategy are that inaccurate rumours may spread and a low-trust employee relations climate is generated.

Greater openness in reward matters is characteristic of the public sector. However, this is less to do with management willingness to be open than with the fact that pay levels and pay progression criteria have traditionally been determined at national level.

Our view is similar to that of Lawler (1984) in that the decision management makes over its reward communication policy is contingent upon the organisation's culture and the employee behaviours it wishes to create. Greater employee creativity and responsibility, which are among the behaviours that many employers wish to generate, may be more congruent with an open communication policy. However, this carries with it the necessity for managers to implement the policy of openness with a level of skill which may need considerable development.

## 4.5 TECHNOLOGICAL CHANGE

The technological change literature comprises a large body of knowledge, which could not be effectively reviewed in the context of a single chapter hence the narrower focus upon relationships between technological change and organisational change.

The 'Managerial Approaches' section clarifies the meaning of technology before offering an overview of different approaches to understanding technological change, with specific attention paid to the contribution of innovation theories. The 'Critical Perspective' offers an overview of the competing perspectives; technological determinism, social determinism and labour process theory, which seek to explain the relationship between technological change and organisational change.



### 4.5.1 The Meaning of Technology

The study of technology requires engagement with what is meant by technology. It is easy to regard technology as a recent phenomenon; however, technology as a human response to the environment has existed throughout human history in various forms.

A wide range of technological labels over time have been evident: 'computing machinery, electronic data-processing, computer information processing, information systems, management information systems and information technology' (Orlikowski and Barley 2001, p152). In this way, although the concept of technology is familiar to most people, the meaning of technology reveals subtle differences in how it is understood.

Orlikowski and Scott, acknowledging that technology has been defined and theorised in the management literature in a range of different ways, accept that multiple meanings of technology are also evident in different academic disciplines, such as history, philosophy, psychology and sociology.

Technology has a range of meanings, which may be thought of as a spectrum ranging from hardware at one extreme through to social and organisational structures at the other extreme.

This is a useful starting point for considering competing meanings, avoiding the trap of thinking about technology only in terms of hardware. Another way to understand the meaning of 'technology' is metaphorically.

The term technology is derived from the original Greek *tekhne*, which means art or skill. In studying technology it is apparent that the definition of 'technology' is closely related to the competing explanations of technology. Grint and Woolgar, in reviewing a range of definitions of technology, cite a definition by Kaplinsky:

Technology refers to the general material content or process, such as microelectronics; technique refers to the way in which the general technology is developed for a specific purpose often in conjunction with other technologies or work processes.

### 4.5.2 Studying Technological Change

Orlikowski and Scott critically comment upon the management literature on technology in organisations, suggesting that 'for the most part, technology is missing in action'. They find this perplexing given the role that technology plays in organisations and the scale of investment in technology. They substantiate their position through a review of four leading management journals over a decade



In reviewing The Academy of Management Journal, The Academy of Management Review, Administrative Science Quarterly and Organization Science they found only 4.9% of articles directly addressed the role and influence of technology in organisations. They highlight the paradox that early organisational research recognised the role of technology in organisational affairs and that such interest has reduced in recent years.

The following discussion offers a chronological overview of theoretical contributions to understanding technological change during the twentieth century. The intention is to signpost different examples of approaches to understanding technological change, rather than to offer a comprehensive history of technological change.

These theories should not be regarded as an evolution of thinking, as some of these schools of thought remain very influential today. In Box different contributions to studying technological change are summarised.

### **Understanding technological change (summary of approaches)**

- Technology enabling scientific management
- Technology linked to the social system of work (Trist and Bamforth 1951)
- Technology as an independent explanatory variable (Woodward 1958)
- Technology and ideal types of organisation (Burns and Stalker 1961)  
Technology and associated feelings of alienation (Blauner 1964)
- Technology as a strategic choice (Child 1972)
- Technology enabling flexible specialisation (Piore and Sabel 1984)
- Technology enabling process reengineering (Hammer and Champy 1993)
- Technology and adoption processes (Preece 1995)

Taylor, in his espousal of scientific management regarded technology as enabling increased productivity; in this sense he was one of the earliest management writers on technological change. The work of Trist and Bamforth (1951) along with other writers gave impetus to socio-technical systems theory, which began to link the technical system of production with the social system of work.

Woodward concluded from research undertaken in south-east Essex that there was a relationship between the type of technology used and organisation structure. She argued that specific forms of organisation structure were suited to particular



production systems. Burns and Stalker (1961) again took a contingent view in their analysis of organic structures and mechanistic structures fitting with different production systems.

Technological change had been promoted positively as a progressive development. However, Blauner (1964) was one of the earliest writers to question this march of progress. He was interested in relationships between alienation, patterns of technology and organisational trends, and through his research identified four forms of alienation: powerlessness, meaninglessness, isolation and self-estrangement. Child (1972), in introducing the concept of strategic choice, made important connections between strategy and technological change.

Strategic choice emphasised managerial choice, rather than technology, in shaping work and organisation. In this form of analysis, power within processes of organisational change is made explicit.

Business process reengineering was presented to organisations as offering a radically different change methodology and by association a radically different future for organisations. Through the power of modern information technology, business processes could be radically redesigned in order to achieve dramatic improvements in their performance.

### 4.5.3 The Contribution of Innovation Theories

Innovation has been described as the word on everyone's lips. Consultants persuade companies of its usefulness and politicians are equally keen to stimulate innovation at various levels of government. In the UK, government has encouraged public service organisations to embrace innovation approaches. The appeal and interrelationships of innovation and the change theme of this textbook are captured in the following quotation:

Innovation and change are important for organisations. Speaking organisationally, innovation (either of practice or of products) leads to change that allows a company to position itself differently from its competitors. It does things differently (practices) or it offers different things (products/services).

In tracing the emergence of the new field of innovation studies, Fagerberg and Verspagen (2009) acknowledge that before 1960 scholarly publications on innovation were few and far between, with one exception: the writings of the Austrian-American social scientist Joseph Schumpeter. Schumpeter (1950) regarded innovation as the main driver of economic development, and this line of reasoning has proved highly influential to innovation scholars ever since.

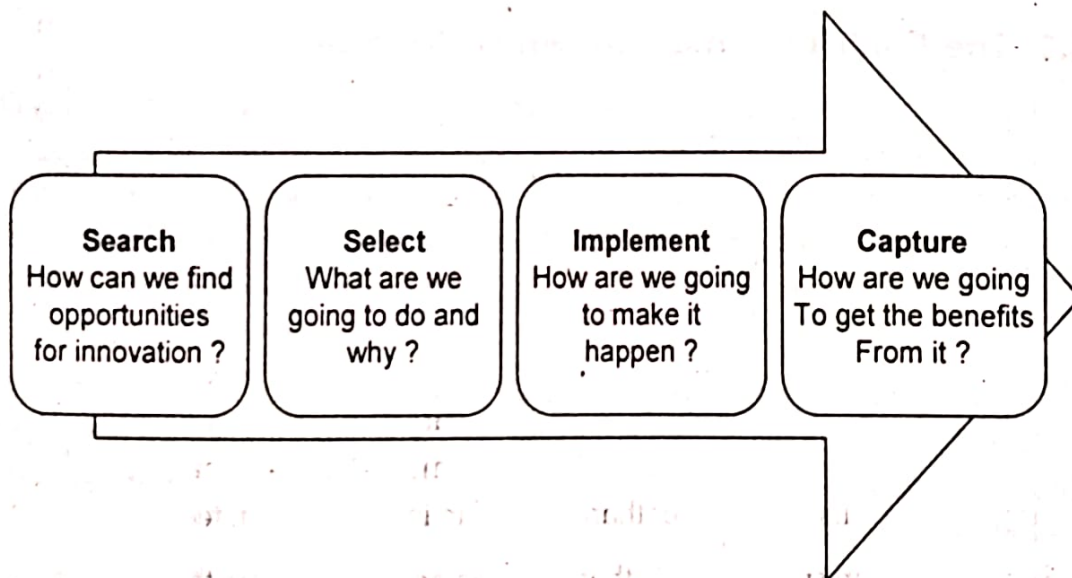


Tidd and Bessant refer to Schumpeter as the godfather of innovation studies, explaining his simple argument as follows: 'entrepreneurs will seek to use technological innovation a new product/service or a new process for making it - to get strategic advantage'. The origins of the phrase creative destruction', emphasising destroying the old in favour of the new, can be traced back to Schumpeter.

There was a rapid growth in scholarly interest in innovation from the early 1960s, with particularly rapid growth since the 1990s. One of the early 1960s milestones was the writings of Rogers on the diffusion of innovation:

In the Diffusion of Innovation, Rogers' (1962) aim was to explain how to inculcate awareness and enthusiasm for technical innovations such that even those most resistant to their adoption might do so.

Different types of innovation are evident such as: products, processes, positions and paradigms. Tidd and Bessant define innovation as 'a process of turning opportunity into new ideas and of putting these into widely used practice'. They favour a process of innovation that they explain in terms of four key phases of search, select, implement and capture, as depicted in Figure.



**Fig.: A simple model of the innovation process (based upon Tidd and Bessant 2009)**

Figure depicts the four phases of the innovation process that Tidd and Bessant (2009) highlight.

1. The first phase requires an effective search process to establish how an organisation can survive and thrive.



2. The second phase requires selection of an option that helps an organisation to grow and develop. The implementation phase is concerned with converting ideas into reality.
3. Finally the capture phase is concerned with realising the benefits of an innovation. The model seeks to answer the question: do we have a clear innovation strategy and do we have an innovative organisation?

Innovation studies are strong in explaining the configuration between what the market needs and the available technology; this point of convergence has been labelled the 'technological trajectory'. Persistent differences in the sources and directions of technological change have been identified through reviewing studies of technological.

### 4.5.4 Deterministic Perspectives in Technological Change

While many theoretical explanations have been offered to explain relationships between technological change and organisational change, deterministic explanations have been the most prominent. Two major forms of deterministic explanation are technological determinism and social determinism, with both offering persuasive explanations of what drives technological change.

The work of Woodward is often cited as an example of technological determinism, although in her subsequent work Woodward moved away from this position. Knights and Murray have highlighted the technological determinism within the field of innovation studies in terms of the tendency to depict technologies as developing along trajectories.

In seeking to counter the influence of technological determinism it has been argued that people should not be subordinate to machines but instead that machines should be subordinate to people. The danger with perceiving technological change as all-pervasive is that theories may be no longer required to have sophistication, describing an inevitable process of diffusion, happening regardless of human intervention. The concern with technological determinism is that human behaviour may be regarded as being largely determined by, rather than having an influence over, technology.

Social determinism assumes .. that technological changes are themselves socially engineered and/or that work relationships are, in any case, derived from and ultimately determined by, cultural and/or social aspects, rather than technological aspects'. The strategic choice approach introduced in the 'Managerial Approaches' section is a good illustration of social determinism. Strategic choice explanations, in seeking to avoid the technological determinism of contingency approaches, emphasise the social in their explanations of technological change.



The danger with social determinism is that just as technological determinism underplays the role of society in explanations of technological change, social determinism underplays the role of technology in explanations of technological change. The concerns about deterministic perspectives suggest the need for middle ground explanations, which are evident within emergent perspectives.

#### 4.5.5 Emergent Perspectives in Technological Change

Emergent perspectives reflect an intermediate position accommodating both technological and social factors. Instead of the either/or approach of technological determinism and social determinism, they regard organisational change as emerging out the complicated interactions between technology, social history and human choices and actions.

Grint and Woolgar clarify this middle ground, although not favouring this position themselves: 'the resulting model portrayed itself as one which avoided extreme determinism of either kind in favour of a conceptual apparatus that included many different elements: technology, people, organisations, genders, interest groups and many others besides'. The studies of technological change undertaken by Trist and Bamforth (1951), which advanced socio-technical systems approaches, illustrate an emergent perspective.

#### 4.5.6 Labour Process Perspectives

The labour process perspective offers another explanation of relationships between technological change and organisational change. A good illustration of this perspective was evident within the writings of Braverman (1974). In *Labor and Monopoly Capital*, Braverman (1974) offered a Marxist explanation of how workplace changes increased managerial control and deskilled employees.

The contribution of Braverman was in offering an academic challenge to the scientific management of Taylorism, which had (and continues to have) an influence upon the organisation of work. Braverman was able to illustrate his thesis through examples of workplace deskilling of groups such as bank clerks and their experience of the introduction of new technology. His work was influential in explaining the human consequences of capitalist-driven technological change in the workplace.

Many criticisms of Braverman's analysis have subsequently been presented; in particular he has been criticised for romanticising notions of skill and craft (Collins 1998). In Box arguments featured in this section are summarised through answering the question posed at the beginning of the 'Critical Perspective'.



**Changing relationships between technology and forms of organising**

How do we adequately account for the changing relationship between technology and forms of organising ?

1. Organisational change is driven by the intrinsic properties of the technologies adopted (technology determinism).
2. Organisational change is driven by social forces, rather than technological changes (social determinism).
3. Organisational change emerges out of interactions between technology, social histories, and contexts and human choices and actions (emergent perspective).
4. Organizational change is influenced by managerial choices of technologies, which fragment, work and deskill and alienate workers (labour process perspective).

In their conclusions, Orlikowski and Scott (2008) encourage the study of technology, work and organisations through a range of different and flexible lenses, urging future research to move beyond separating technology from people, work and organisations. In terms of this further research they suggest that the complex and dynamic relationships of technological influences and organisational processes in specific settings requires greater attention.